Nova Scotia Annual Gaming Report 2013 - 2014

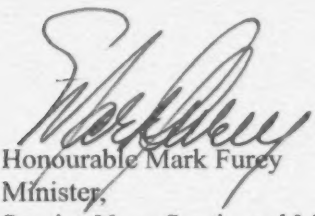
NOVA SCOTIA

Dear Reader:

Presented herewith is the *Annual Gaming Report*, pursuant to Section 56 of the *Gaming Control Act*, for the year ending March 31, 2014.

The *Annual Gaming Report* covers the activities of the Alcohol and Gaming Division relative to the gaming industry during the 2013/2014 fiscal year, and explains its working mandate received from my responsibility pursuant to Part II of the *Gaming Control Act* for "regulating casinos and other lottery schemes and for administering this Part in the public interest and in accordance with the principles of honesty and integrity."

Yours truly,



Honourable Mark Furey
Minister,
Service Nova Scotia and Municipal Relations

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ABOUT THE DIVISION

Mandate

Pursuant to Section 40 of the *Gaming Control Act*, the Minister of Service Nova Scotia and Municipal Relations is "responsible for regulating casinos and other lottery schemes and for administering this Part in the public interest and in accordance with the principles of honesty and integrity." On behalf of the Minister, the Alcohol and Gaming Division (the "Division") licenses and monitors the conduct of casinos, bingos, lotteries and other games of chance (except harness racing), to ensure that these games are carried out in the best social and economic interests of Nova Scotians.

Effective April 1, 2014, the government announced its intention to move the Division to a new agency, the Office of Service Nova Scotia. We expect the Act will be amended to reflect this change.

Workforce

With its head office located in Dartmouth, and a regional office in Sydney, the Alcohol and Gaming Division maintains a workforce around the province.

CORE FUNCTIONS

Registration and Licensing

Pursuant to the *Gaming Control Act*, the Nova Scotia Alcohol and Gaming Division registers individuals and companies who supply goods and services to regulated gaming activities. During the 2013/2014 fiscal year, the Division's registry consisted of a total of 143 casino gaming, casino non-gaming, and bingo suppliers, compared to the same number in 2012/2013.

The Division also conducts security checks on personnel related to the gaming industry, including all casino staff, employees of the Nova Scotia Provincial Lotteries and Casino Corporation, and the Alcohol and Gaming Division. Different levels of security clearances are applied, depending on one's position in an organization or the type of service one provides (i.e., suppliers of actual gambling equipment are held to a higher degree of scrutiny than the suppliers of non-gaming related supplies such as restaurant equipment). In 2013/2014, the Division conducted security checks on 115 new and 135 renewal casino employees, compared to 201 new and 258 renewal casino employees in 2012/2013. Furthermore, the Division conducted security checks on 9 ticket lottery suppliers to the Atlantic Lottery Corporation (ALC) in 2013/2014.

The Alcohol and Gaming Division issues gaming licenses to organizations that raise funds for charitable purposes, including bingos, ticket lotteries (prize value over $500), and carnival games of chance. In addition, permits are issued for ticket lotteries with a prize value of less than $500. Licenses are issued in accordance with the provisions of the applicable regulations and policies, as established by the Alcohol and Gaming Division.

Gaming Registration Issuance	2013/2014	2012/2013
Casino Registrations		
Gaming supplier	16	19
Non-gaming supplier - exemption	112	108
Non-gaming supplier	10	11
Bingo Registrations		
Bingo supplier	5	5
ALC Registrations		
Lottery Equipment Suppliers	9	15
TOTAL	152	158

Series bingo and ticket lottery licenses are issued to organizations wishing to carry on a series of regular events. Single licenses are issued for individual events. Games of chance events include commercial carnivals, fun-night Monte Carlo events, and games conducted during annual fairs and exhibitions.

Gaming License Active	2013/2014	2012/2013
Bingo (Series + Single + Manor)	523	506
Ticket Lottery License	1,268	1,172
Ticket Lottery Permit	5,215	5,023
Break-open	87	83
Games of chance/carnival	100	108
TOTAL	7,193	6,892

Investigation and Enforcement

Investigation and Enforcement regularly inspects licensed premises to ensure that gaming activities comply with the applicable regulations. For example, video lottery play is checked for underage play and credit granting, and bingos are checked for such things as the proper use of bingo operating equipment. Furthermore, Investigation and Enforcement staff conduct inspections at the two casinos to ensure compliance with casino regulations and detailed internal control procedures. Investigation and Enforcement has a staff complement located throughout the province.

The gaming analyst section of Investigation and Enforcement conducts regular as well as random testing of casino slot machine software to ensure each machine is compliant with the legislated minimum payout percentage, as well as other requirements. The section also monitors payout percentages for video lottery terminals (VLTs) in liquor licensed premises in the province.

Investigation and Enforcement is also responsible for reviewing and making recommendations with respect to all approval requests from the casino operator pertaining to:

- casino surveillance and security systems,
- permitted games of chance played in casinos,
- Rules of Play, and
- slot machine installations, modifications, removals and relocations.

PROVINCIAL GAMING ACTIVITY

Overview

The Nova Scotia Alcohol and Gaming Division is responsible for the regulation of legal gaming in this province. These gaming activities include video lottery terminals (VLTs), casinos, Atlantic Lottery Corporation (ALC) products, bingos and charitable ticket lotteries.

For the purpose of measuring the volume of gaming activities on a consistent basis, the Alcohol and Gaming Division uses the "wager" as a base unit. This figure represents the amount of money actually wagered on each gaming activity before prizes are awarded, operating expenses are deducted, and other assorted expenditures are accounted for. The wager for each type of gaming activity is defined in the following manner:

- cash deposited when referring to VLTs;
- cash deposited and value of tickets inserted into casino slot machines plus the chips purchased for table games when referring to casinos;
- cash paid for the purchase of bingo cards when referring to bingo; and
- cash paid for the purchase of tickets when referring to ticket lotteries.

Fiscal Year 2013/2014

Total gaming wager in the province increased by 1.1 per cent in 2013/2014 to $1.320 billion, from $1.306 billion in 2012/2013. Prizes of $1.017 billion in 2013/2014 were up from $993 million in 2012/2013, and accounted for 77.0 per cent of the total wager. Net gaming revenue amounted to $304 million in 2013/2014, down 2.8 per cent from $312 million in 2012/2013.

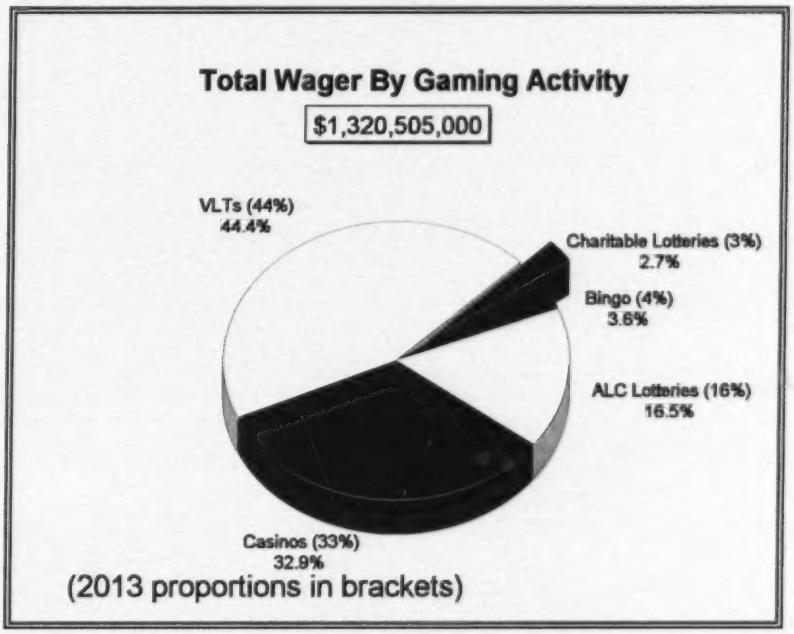
Total Wager By Gaming Activity
($ thousands)

	2014	2013	Change
VLTs	$586,659	$579,753	1.2%
Casinos	433,857	427,192	1.6%
ALC Lotteries	217,537	214,035	1.6%
Bingo	47,455	50,419	-5.9%
Charitable Lotteries	34,997	34,590	1.2%
Total Wager	$1,320,505	$1,305,989	1.1%
Prizes	1,016,693	993,445	2.3%
Net Revenue	**$303,812**	**$312,544**	**-2.8%**

The VLT wager increased by 1.2 per cent to $586.7 million, from $579.7 million in 2012/2013. Casino wager rose 1.6 per cent to $433.9 million in 2013/2014, from $427.2 million last year. Wagers for ALC lotteries rose 1.6 per cent to $217.5 million in 2013/2014, while wagers for charitable lotteries rose 1.2 per cent to 35.0 million. Bingo wager dropped 5.9 per cent to $47.5 million in 2013/2014, from $50.4 million last year.

The proportion of total wager accounted for by VLTs was 44.4 per cent in 2013/2014, unchanged from 2012/2013. The proportion of total wager for casinos was 32.9 per cent, unchanged from

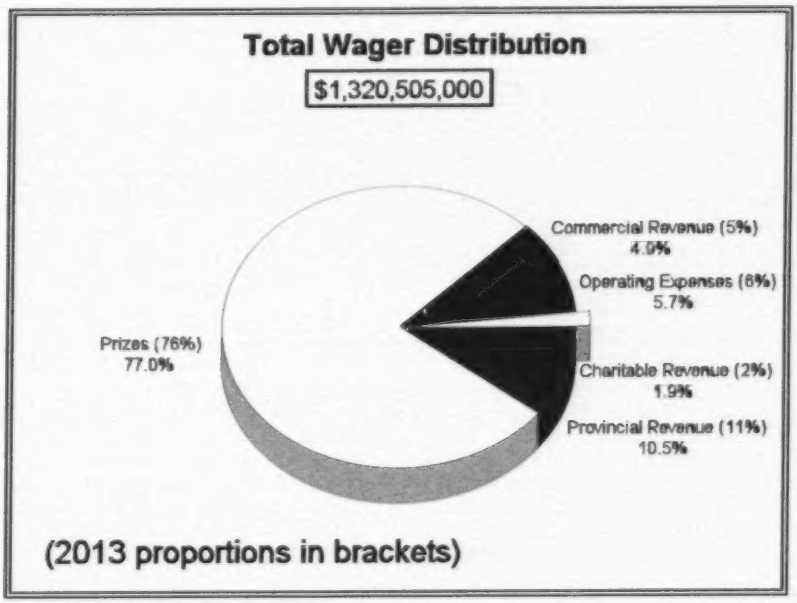
2012/2013. The proportion of total wager spent on ALC lotteries represented 16.5 per cent of total wager, while bingos and charitable lotteries accounted for 3.6 and 2.7 per cent respectively.



Provincial revenue from gaming decreased 2.5 per cent on a year over year basis, to $139.2 million in 2013/2014, compared to $142.7 million last year, and accounted for 10.5 per cent of the total wager. Commercial revenue fell 0.3 per cent to $64.6 million in 2013/2014, from $64.8 million in 2012/2013. Operating expenses decreased 5.2 per cent to $74.6 million, from $78.7 million last year. At $25.3 million, charitable revenue was down 3.6 per cent from $26.3 million the year before.

Total Wager Distribution
($ thousands)

	2014	2013	Change
Total Wager	$1,320,505	$1,305,989	1.1%
Prizes	1,016,693	993,445	2.3%
Net Revenue	$303,812	$312,544	-2.8%
Operating Expenses	74,627	78,687	-5.2%
Commercial Revenue	64,630	64,852	-0.3%
Charitable Revenue	25,351	26,287	-3.6%
Provincial Revenue	**$139,204**	**$142,718**	**-2.5%**



Video Lottery Terminals

In 2013/2014, VLT wager rose 1.2 per cent to $586.7 million, from $579.7 million in 2012/2013. The VLT wager accounted for 44.4 per cent of the total provincial gaming wager in 2013/2014, unchanged from the year before.

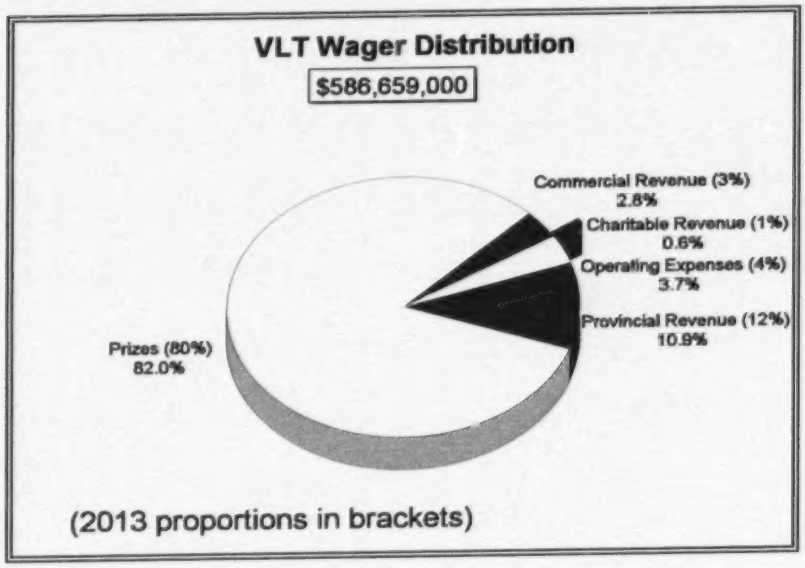
Prize payouts from VLTs totalled $480.8 million in 2013/2014, an increase of 3.2 per cent from the previous year, and represented 82.0 per cent of the total VLT wager.

VLT Wager Distribution
($ thousands)

	2014	2013	Change
Total Wager	$586,659	$579,753	1.2%
Prizes	480,772	465,881	3.2%
Net Revenue	$105,887	$113,872	-7.0%
Operating Expenses	21,561	21,242	1.5%
Commercial Revenue	16,426	17,268	-4.9%
Charitable Revenue	3,740	3,886	-3.8%
Provincial Revenue	**$64,160**	**$71,476**	**-10.2%**

At $3.7 million, charitable revenue from VLTs was down 3.8 per cent from the previous year. Similarly, commercial revenue decreased 4.9 per cent to $16.4 million, from $17.3 million in 2012/2013. During the same period, operating expenses rose 1.5 per cent to $21.6 million, from $21.2 million in 2012/2013.

Provincial revenue from VLTs fell 10.2 per cent to $64.2 million in 2013/2014, compared to $71.5 million last year. Provincial revenue represented 10.9 per cent of total VLT wager in 2013/2014, compared to 12.3 per cent the year before.


VLT Wager Distribution
$586,659,000
Commercial Revenue (3%)
2.8%
Charitable Revenue (1%)
0.6%
Operating Expenses (4%)
3.7%
Provincial Revenue (12%)
10.9%
Prizes (80%)
82.0%
(2013 proportions in brackets)

Casinos

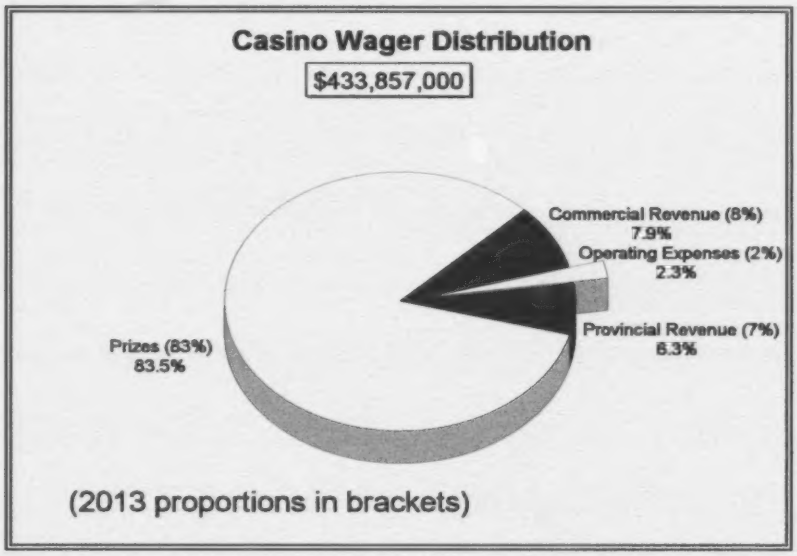
At $433.9 million, the wager at Nova Scotia's Halifax and Sydney casinos this year was up 1.6 per cent from $427.2 million in 2012/2013. Casino wager accounted for 32.9 per cent of the total provincial wager in 2013/2014, compared to 32.7 per cent the year before.

Prize payouts at the casinos increased 2.1 per cent to $362.4 million this year, representing 83.6 per cent of the total casino wager. Provincial revenue from casino operations dropped 4.5 per cent to $27.5 million in 2013/2014, from $28.8 million in 2012/2013.

Casino Wager Distribution
($ thousands)

	2014	2013	Change
Total Wager	$433,857	$427,192	1.6%
Prizes	362,397	354,896	2.1%
Net Revenue	$71,460	$72,296	-1.2%
Operating Expenses	9,843	9,723	1.2%
Commercial Revenue	34,091	33,757	1.0%
Provincial Revenue	**$27,526**	**$28,816**	**-4.5%**

Commercial revenue and operating expenses were essentially unchanged on a year over year basis, at $34.1 million and $9.8 million respectively in 2013/2014.



Casino Nova Scotia

	Halifax		Sydney	
	2014	**2013**	**2014**	**2013**
Wager ($ millions)	$329.7	$321.3	$104.1	$105.9
Revenue to Province ($ millions)	$19.9	$20.9	$7.7	$7.9
Gaming Floor Area (sq. ft.)	34,000	34,000	11,100	11,100
Employees	345	342	128	145
Visitors	921,281	939,668	310,931	346,798
Slot Machines	541	565	276	275
Table Games	31	32	11	11

ALC Lotteries

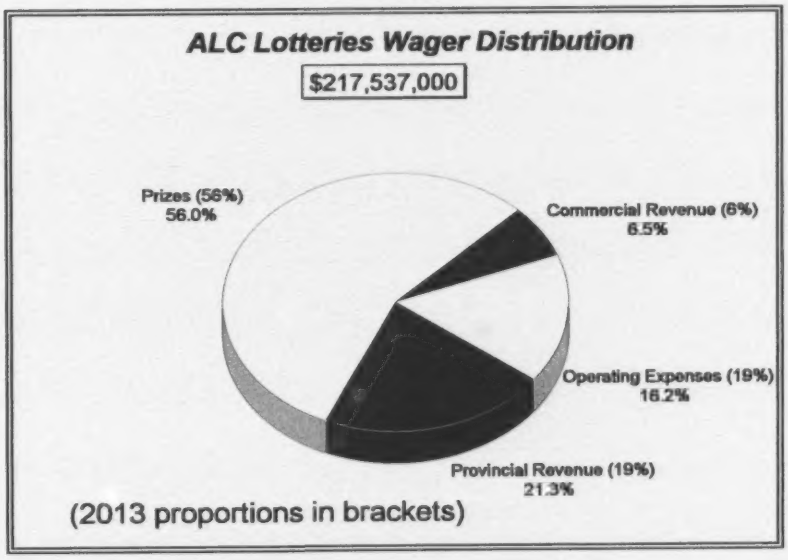
At $217.5 million, total wager for ALC lotteries increased 1.6 per cent in 2013/2014, from $214.0 million a year ago. ALC lotteries accounted for 16.5 per cent of the total provincial wager this year, essentially unchanged from 2012/2013.

Prizes paid out for ALC lotteries in 2013/2014 increased to $121.6 million, from $119.1 million last year. Prizes represented 56.0 per cent of total ALC lotteries wager in 2013/2014.

ALC Lotteries Wager Distribution
($ thousands)

	2014	2013	Change
Total Wager	$217,537	$214,035	1.6%
Prizes	121,650	119,091	2.1%
Net Revenue	$95,887	$94,944	1.0%
Operating Expenses	35,297	39,780	-11.3%
Commercial Revenue	14,113	13,827	2.1%
Charitable Revenue	64	52	23.1%
Provincial Revenue	**$46,413**	**$41,285**	**12.4%**

Operating expenses of $35.3 million for ALC lotteries in Nova Scotia in 2013/2014 decreased 11.3 per cent from $39.8 million in 2012/2013. Commercial revenue of $14.1 million in 2013/2014 was up from $13.8 million last year. Revenue to charities increased 23.1 per cent to $64 thousand in 2013/2014, from $52 thousand in 2012/2013. Provincial revenue from ALC lotteries rose 12.4 per cent to $46.4 million, from $41.3 million last year.


ALC Lotteries Wager Distribution
$217,537,000
Prizes (56%)
56.0%
Commercial Revenue (6%)
6.5%
Operating Expenses (19%)
16.2%
Provincial Revenue (19%)
21.3%
(2013 proportions in brackets)

Charitable Bingo

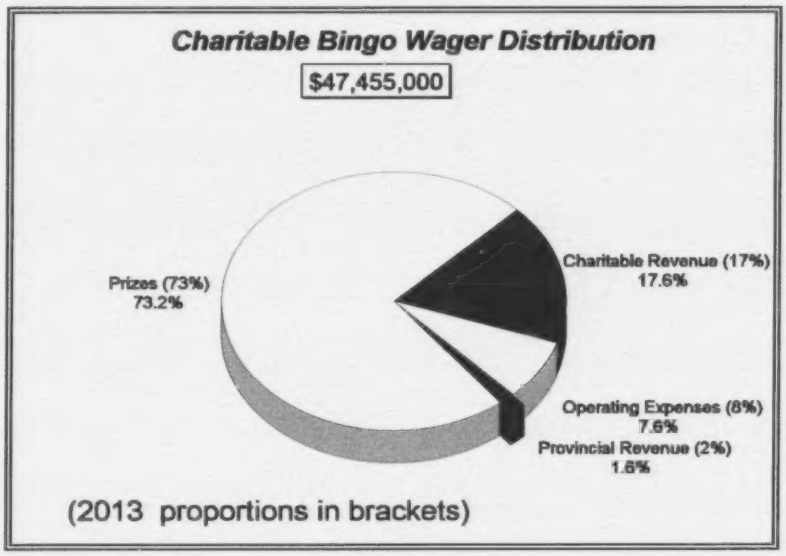
Total charitable bingo wager decreased 5.9 per cent to $47.5 million in 2013/2014, from $50.4 million last year. Charitable revenue fell 4.7 per cent to $8.4 million, from $8.8 million last year.

Bingo prizes amounted to $34.7 million in 2013/2014, and accounted for 73.2 per cent of the total charitable bingo wager. The prize value awarded this year was down 5.8 per cent from $36.9 million in 2012/2013.

Charitable Bingo Wager Distribution
($ thousands)

	2014	2013	Change
Total Wager	$47,455	$50,419	-5.9%
Prizes	34,742	36,893	-5.8%
Net Revenue	$12,713	$13,526	-6.0%
Operating Expenses	3,603	3,953	-8.9%
Charitable Revenue	8,370	8,787	-4.7%
Provincial Revenue	**$740**	**$786**	**-5.9%**

In the 2013/2014 fiscal year, financial reports were received from 208 bingo licensees, compared to 210 licensees in 2012/2013. In 2013/2014, 48.0 per cent of the 208 bingo licensees had gross receipts under $150,000, and generated 17.5 per cent of the total charitable bingo wager. Conversely, 20.6 per cent of charitable bingos had gross receipts exceeding $300,000, and yielded 53.8 per cent of the total charitable bingo wager.



In 2013/2014, there were 36 media bingos (TV or radio bingo) that generated $7.0 million in wagers, compared to the same number last year with a total wager of $7.5 million. Charitable revenue from media bingos amounted to $2.5 million this year, down 7.7 per cent from $2.7 million in 2012/2013.

Charitable Bingo Licensees Grouped By Wager

Category	Licensees	%	Wager ($ thousands)	%
$0-50,000	18	8.7%	$481	1.0%
50,000-100,000	42	20.1%	2,948	6.2%
100,000-150,000	40	19.2%	4,882	10.3%
150,000-200,000	30	14.4%	5,190	10.9%
200,000-250,000	24	11.5%	5,391	11.4%
250,000-300,000	11	5.3%	3,046	6.4%
300,000-500,000	27	13.0%	10,207	21.5%
500,000-1,000,000	11	5.3%	7,257	15.3%
$1,000,000+	5	2.3%	8,053	17.0%
TOTALS	**208**	**100.0%**	**$47,455**	**100.0%**

Charitable Bingo Licensees Grouped By Net Profits

		Licensees By Net Profit			Average
Category	Licensees	<0%	0-15%	>15%	Net Profit
$0-50,000	18	2	10	6	4.5%
50,000-100,000	42	7	16	19	14.8%
100,000-150,000	40	3	18	19	16.1%
150,000-200,000	30	2	13	15	17.3%
200,000-250,000	24	1	12	11	16.1%
250,000-300,000	11	0	5	6	16.5%
300,000-500,000	27	2	9	16	21.7%
500,000-1,000,000	11	0	5	6	21.0%
$1,000,000+	5	0	3	2	13.4%
TOTALS	**208**	**17**	**91**	**100**	**17.4%**

Charitable Ticket Lotteries

The wager on charitable ticket lotteries was $35.0 million in 2013/2014, up 1.2 per cent from $34.6 million last year.

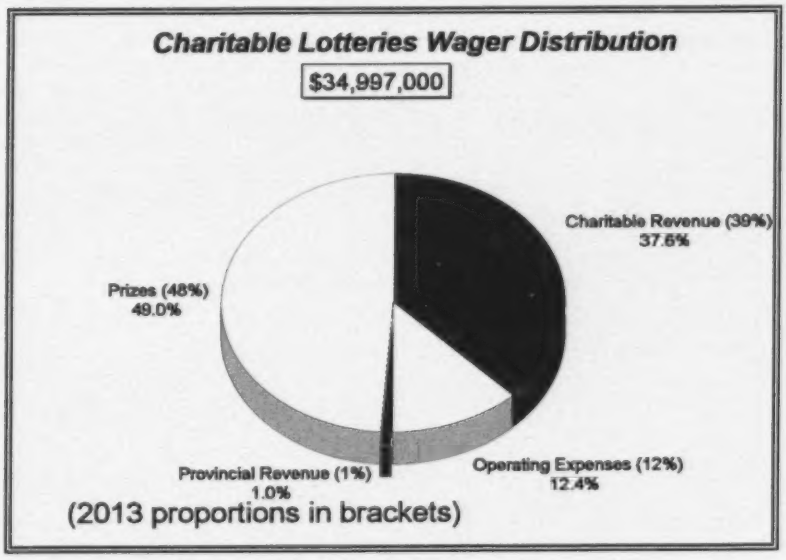
Prizes awarded in charitable ticket lotteries increased 2.7 per cent to $17.1 million in 2013/2014, and accounted for 49.0 per cent of total charitable ticket lotteries wager.

Charitable revenue fell 2.8 per cent to $13.2 million this year, from $13.6 million in 2012/2013. Provincial revenue amounted to $365 thousand this year, up 2.8 per cent from $355 thousand last year. Charitable revenue represented 37.6 per cent of total charitable ticket lotteries wager, while the province realized 1.0 per cent.

At $4.3 million, operating expenses for charitable ticket lotteries this year increased 8.4 per cent from $4.0 million in 2012/2013. Operating expenses accounted for 12.4 per cent of the total charitable ticket lottery wager in 2013/2014.

Charitable Lotteries Wager Distribution
($ thousands)

	2014	2013	Change
Total Wager	$34,997	$34,590	1.2%
Prizes	17,132	16,684	2.7%
Net Revenue	$17,865	$17,906	-0.2%
Operating Expenses	4,323	3,989	8.4%
Charitable Revenue	13,177	13,562	-2.8%
Provincial Revenue	**$365**	**$355**	**2.8%**



In 2013/2014, financial reports were received from 1,127 charitable ticket lottery licensees, compared to 1,104 last year. Of the 1,127 charitable ticket lotteries, 1,047 (92.9 per cent) reported ticket sales of $50 thousand or less. Conversely, 13 (1.2 per cent) ticket lotteries reported sales of over $300 thousand, totalling $21.7 million (62.1 per cent) of the total charitable ticket lotteries wager.

Charitable Lotteries Licensees Grouped By Wager

Category	Licensees	%	Wager ($ thousands)	%
$0-50,000	1,047	92.9%	$6,532	18.7%
50,000-100,000	45	4.0%	3,217	9.2%
100,000-150,000	12	1.1%	1,433	4.1%
150,000-200,000	5	0.4%	816	2.3%
200,000-250,000	1	0.1%	207	0.6%
250,000-300,000	4	0.4%	1,048	3.0%
300,000-500,000	4	0.4%	1,553	4.4%
500,000-1,000,000	3	0.3%	2,095	6.0%
$1,000,000+	6	0.5%	18,096	51.7%
TOTALS	**1,127**	**100.0%**	**$34,997**	**100.0%**

Province	**CANADIAN JURISDICTIONAL GAMING COMPARISON** Agencies Involved	Casinos	VLTs	Internet
NL	**Service Newfoundland, Consumer Affairs Division** Atlantic Lottery Corporation		✔	✔
PE	**PEI Lotteries Commission** Department of Environment, Labour and Justice, Consumer Services Division Atlantic Lottery Corporation	✔	✔	✔
NS	**Nova Scotia Alcohol and Gaming Division** Nova Scotia Provincial Lotteries and Casino Corporation Atlantic Lottery Corporation	✔	✔	✔
NB	**New Brunswick Gaming Control Branch** NB Lotteries and Gaming Corporation Atlantic Lottery Corporation	✔	✔	✔
QC	**Régie des alcools, des courses et des jeux** Loto-Québec	✔	✔	
ON	**Alcohol and Gaming Commission of Ontario** Ontario Lottery and Gaming Corporation	✔		
MB	**Manitoba Gaming Control Commission** Manitoba Lotteries Corporation	✔	✔	
SK	**Saskatchewan Liquor and Gaming Authority** Saskatchewan Gaming Corporation Saskatchewan Indian Gaming Authority	✔	✔	
AB	**Alberta Gaming and Liquor Commission** Alberta Gaming Research Council	✔	✔	
BC	**BC Gaming Policy and Enforcement Branch** British Columbia Lottery Corporation	✔		✔
NT	**Consumer Services, Community Operations**			
YT	**Department of Consumer Services, Consumer Services Branch** Yukon Lottery Commission	✔		
NU	**Department of Community and Government Services, Consumer Affairs Section**			

Service Nova Scotia
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